



**ASX / MEDIA RELEASE  
FOR IMMEDIATE RELEASE  
23 February 2017**

## **CROWN ANNOUNCES 2017 HALF YEAR RESULTS**

**MELBOURNE: Crown Resorts Limited (ASX: CWN)** ("Crown") today announced its results for the half year ended 31 December 2016:

• **Crown Resorts Limited performance:**

- Normalised<sup>1</sup> NPAT attributable to the parent of \$191.3 million, down 9.1%
- Reported NPAT attributable to the parent of \$182.8 million, down 10.8% before significant items
- Reported NPAT attributable to the parent of \$359.1 million, up 75.2% after significant items
- Net gain from significant items of \$176.3 million, the major component of which is the net gain from the sale of shares in Melco Crown Entertainment
- Normalised EBITDA of \$402.6 million, down 5.1%
- Reported EBITDA of \$399.3 million, down 12.4%
- Normalised EBIT of \$258.3 million, down 9.2%
- Reported EBIT of \$255.0 million, down 19.3%
- Interim dividend of 30 cents per share and a special dividend of 83 cents per share declared

• **Australian resorts performance:**

- Normalised revenue of \$1,483.5 million, down 12.5%
- Main floor gaming revenue of \$853.9 million, down 0.8%
- Non-gaming revenue of \$366.0 million, up 3.7%
- VIP program play turnover of \$19.6 billion, down 45.3%
- Normalised EBITDA of \$439.1 million, down 9.0%
- Reported EBITDA of \$452.1 million, down 11.3%

• **Melco Crown Entertainment (MCE):<sup>2</sup>**

- Crown's share of MCE's Normalised NPAT of \$42.4 million, up 14.0%
- Crown's share of MCE's Reported NPAT of \$37.9 million, up 303.2%

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<sup>1</sup> Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play (at Crown Melbourne, Crown Perth, Crown Aspinalls and MCE) and significant items. The theoretical win rate is the expected hold percentage on VIP program play over time. Accordingly, the normalised result gives rise to adjustments to VIP program play revenue, gaming taxes, commission and other expenses, income tax expense and equity accounted share of associates' results. Crown believes that normalised results are the best measure of viewing performance of the business as it removes the inherent volatility in VIP gaming revenue.

<sup>2</sup> Crown had a 34.3% interest in MCE for all of the half year reporting period to 31 December 2015. In the half year to 31 December 2016, Crown had a 27.4% interest from 1 July 2016 to 20 December and a 24.6% interest from 21 December to 31 December 2016.

The Executive Chairman of Crown, Mr John Alexander, said:

“Crown’s Australian operations’ first half result reflected difficult trading conditions. Total revenue at theoretical across the Company’s Australian resorts declined by 12.5%. The year on year decline was due primarily to the reduction in VIP program play revenue in Australia, which was down 45.3% during this period. Main floor gaming revenue also decreased by 0.8%, with modest revenue growth in Melbourne offset by softness in Perth.”

“The result also includes a net gain from the sale of approximately 40.9 million ordinary shares in MCE for \$166.9 million, which is reported as a significant item,” Mr Alexander said.

## **CROWN MELBOURNE**

Normalised EBITDA from Crown Melbourne was \$303.5 million, down 13.9% on the prior corresponding period (“pcp”). Reported EBITDA for the period was \$322.1 million, down 13.4% on the pcp. The reported EBITDA result takes into account a favourable variance from the theoretical VIP program play result which had a positive EBITDA impact of \$18.6 million. This compares to a positive EBITDA impact of \$19.3 million in the pcp.

Normalised revenue of \$1,042.6 million was down 13.3% on the pcp. The year on year decline was due primarily to the 47.4% reduction in VIP program play revenue. Main floor gaming revenue was \$604.1 million, up 0.5% on the pcp and non-gaming revenue grew 4.3% to \$247.4 million.

Crown Towers Melbourne hotel occupancy was 97.2% with an average room rate of \$378. Crown Metropol Melbourne hotel achieved occupancy of 94.1% with an average room rate of \$270. Crown Promenade Melbourne hotel occupancy was 94.5% with an average room rate of \$234.

The overall normalised operating margin decreased from 29.3% to 29.1%. The decline in margin is largely due to the impact of lower revenues.

## **CROWN PERTH**

Normalised EBITDA from Crown Perth was \$135.6 million, up 4.2% on the pcp. Reported EBITDA for the period was \$130.0 million, down 5.6% on the pcp. The reported EBITDA result takes into account an unfavourable variance from the theoretical VIP program play result which had a negative EBITDA impact of \$5.6 million. This compares to a positive EBITDA impact of \$7.6 million in the pcp.

Normalised revenue of \$440.9 million was down 10.7% on the pcp. The year on year decline was due primarily to the 38.6% reduction in VIP program play revenue, with main floor gaming revenue also down 4.0% on the pcp. Non-gaming revenue was up 2.6% to \$118.6 million.

Crown Towers Perth officially opened on 15 December 2016. Initial hotel occupancy and average room rate has been pleasing. Crown Metropol Perth hotel occupancy was 92.0% with an average room rate of \$285. Hotel occupancy at Crown Promenade Perth was 95.2% with an average room rate of \$200.

The overall normalised operating margin increased from 26.3% to 30.7%. This improvement includes the impact of the change in business mix as well as benefits from productivity and efficiency improvements, despite lower revenues.

## **CROWN ASPINALLS**

Normalised EBITDA from Crown Aspinalls was \$18.2 million, up 76.7% on the pcp. Reported EBITDA for the period was \$1.9 million, a decrease of 87.2% on the pcp. The reported EBITDA result takes into account an unfavourable variance from the theoretical VIP program play result which had a negative EBITDA impact of \$16.3 million. This compares to a positive EBITDA impact of \$4.6 million in the pcp.

## **CROWN WAGERING AND ON-LINE SOCIAL GAMING OPERATIONS**

EBITDA from Crown’s wagering and on-line social gaming operations was a loss of \$3.0 million. Crown’s wagering and on-line social gaming operations include CrownBet (a 62% owned, on-line wagering business), Betfair Australasia (a 100% owned, on-line betting exchange) and DGN Games (a 70% owned, on-line social gaming business based in Austin, Texas).

## **MELCO CROWN ENTERTAINMENT (MCE)**

Crown's share of MCE's normalised NPAT for the half year to 31 December 2016 was an equity accounted profit of \$42.4 million, up 14.0% on the pcp<sup>3</sup>. After adjusting for the variance from theoretical, Crown's share of MCE's reported NPAT result for the half year was an equity accounted profit of \$37.9 million, up 303.2% on the pcp.

As previously announced, Crown has entered into the following arrangements in relation to its MCE investments:

1. An underwriting agreement for the sale of 40.9 million MCE shares (equivalent to approximately 2.8% of MCE shares outstanding) for US\$5.33 per MCE share, completed on 20 December 2016; and
2. A bilateral agreement with Melco International Development Limited ("Melco") for the sale of 198 million MCE shares (equivalent to 13.4% of MCE shares outstanding) for US\$6.00 per MCE share, completed on 16 February 2017,

(together, "the MCE sell down transactions".)

In addition, a series of cash-settled equity swaps were entered into, referencing approximately 82 million MCE shares (equivalent to just over 5.5% of MCE shares outstanding). This transaction provided Crown with a price hedge in respect of these MCE shares. The price hedge was set at US\$5.33 per MCE share.

Crown's ownership interest in MCE is now 11.2%

As a result of the MCE sell down transactions, Crown will no longer equity account the results of MCE.

## **OTHER INVESTMENTS**

Crown's equity accounted result from investments other than MCE is comprised of its share of equity accounted profits from Nobu and Aspers Group, offset by Crown's share of the equity accounted losses arising from the operating costs of Ellerston and start-up costs of Draftstars. Crown's share of NPAT across all these investments was a loss of \$0.7 million.

During the period, Crown received \$35.7 million from Cannery representing Crown's share of the sale proceeds from the disposal of its casino assets.

## **CROWN SYDNEY PROJECT**

On 23 December 2016, the legal challenge to the decision of the NSW Planning Assessment Commission to approve the modification of the approved concept plan for Barangaroo (known as "Mod 8") and for the construction of the Crown Sydney Hotel Resort at Barangaroo South was dismissed by the Land and Environment Court of NSW.

Crown is pleased with the decision and looks forward to continuing to build an iconic, six-star hotel resort of which Sydney and Australia can be proud. It is expected that Crown Sydney will be completed in 2021.

## **PROPOSED QUEENSBRIDGE HOTEL TOWER**

Crown and the Schiavello Group received conditional planning approval in February 2017, for a new 388 room luxury six-star hotel and approximately 700 luxury apartments at 1-25 Queensbridge Street, Melbourne on a site adjacent to the Crown Melbourne complex.

The proposed Queensbridge Tower to be known as "One Queensbridge" is a 50/50 Joint Venture between Crown and the Schiavello Group. Crown has the right to acquire and manage the hotel on completion. The project remains subject to financing and long form agreements between Crown and the Schiavello Group.

Queensbridge Hotel Tower will cement Crown Melbourne's position as the largest single-site accommodation provider in Australia and create over 3,900 new jobs for Victoria.

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<sup>3</sup> Crown had a 34.3% interest in MCE for all of the half year reporting period to 31 December 2015. In the Half year to 31 December 2016, Crown had a 27.4% interest from 1 July 2016 to 20 December and 24.6% from 21 December to 31 December 2016.

## CASH FLOW AND DEBT

Net operating cash flow for the period of \$230.0 million compared to cash flow of \$200.9 million in the pcp. After net proceeds received from the sale of investments of \$463.1 million, net capital expenditure of \$189.8 million and dividend payments of \$287.7 million, the Group's net debt position (excluding working capital cash of \$166.9 million) at 31 December 2016 was \$1,765.9 million, consisting of total debt of \$2,258.0 million and cash (excluding working capital cash) of \$492.1 million.

At 31 December 2016, total liquidity, excluding working capital cash of \$166.9 million, was \$1,521.9 million, represented by \$492.1 million in available cash and \$1,029.8 million in committed undrawn facilities.

## CORPORATE COSTS

During the period corporate costs were \$51.7 million, \$7.0 million below the pcp.

## FINANCE COSTS EXPENSED

Normalised net interest expense for the half year was \$50.0 million, \$21.0 million below the pcp, which reflects lower net debt levels.

## INCOME TAX EXPENSE

Normalised income tax expense for the half year was \$63.8 million, \$18.8 million above the pcp.

## SIGNIFICANT ITEMS

During the period, there were events or transactions arising that were unusual in terms of both their size and their nature. These items have been classified as Significant Items due to their one-off nature and individual significance. A summary of the Significant Items are as follows:

	\$'m
Net gain on sale of MCE	166.9
Early debt retirements costs (net of tax)	(13.8)
Asset impairment reversal	35.7
Other (net of tax)	(12.5)
<b>Net gain (net of tax)</b>	<b>176.3</b>

## DEBT REDUCTION AND CAPITAL MANAGEMENT INITIATIVES

At the time of entering into the MCE sell down transactions, Crown announced that it intended to use the proceeds from the MCE sell down transactions for a combination of debt reduction and capital management initiatives.

Following completion of these transactions, Crown now intends to:

- adopt a new dividend policy;
- declare a special dividend;
- undertake an on-market share buy-back of approximately \$500 million commencing following the receipt of regulatory approvals; and
- undertake a buy-back of Subordinated Notes listed on ASX under the code "CWNHA" ("Notes").

Further details of these initiatives are set out below.

### ***New Dividend Policy***

Crown has adopted a new dividend policy to pay 60 cents per share on a full year basis, subject to the Company's financial position. This new policy will apply to Crown's interim dividend for the financial year 2017, in respect of which an ordinary dividend of 30 cents per share has been declared.

### ***Special Dividend***

In addition to an ordinary interim dividend of 30 cents per share, Crown has also declared a special dividend of 83 cents per share, to be paid together with Crown's interim dividend for the financial year 2017.

### ***On-Market Share Buy-Back***

Crown intends to undertake an on-market share buy-back of approximately \$500 million commencing following the receipt of regulatory approvals. Based on the Company's closing share price of \$11.39 per share on 22 February 2017, a buy-back of \$500 million represents the repurchase of approximately 43.9 million shares or approximately 6.0% of issued capital.

The total number of shares to be purchased under the buy-back will be dependent on business and market conditions. Crown Resorts may, at its discretion, vary the size of the on-market buy-back.

### ***Potential Buy-Back of Subordinated Notes***

Subject to the receipt of all necessary approvals, Crown intends to:

- make an offer to buy-back any and all of the outstanding Subordinated Notes listed on ASX under the code "CWNHA" ("Notes"); and
- commence the buy-back in the near-term and in any event by no later than 14 September 2017, being the fifth anniversary of the Notes issue date.

The full principal amount of Notes outstanding is approximately \$530 million. The ultimate buy-back size will depend on market conditions and available liquidity.

The methods of executing the buy-back will include transactions entered into in the ordinary course of trading on ASX, thereby providing all holders of Notes with an opportunity to participate at a price determined by Crown.

Crown will make a further announcement, including as to execution methods, once necessary approvals have been obtained and will provide regular updates to the ASX of the number of Notes that have been bought-back.

The largest shareholder in Crown, Consolidated Press Holdings Group ("CPH"), has been a holder of Notes since they were issued in 2012. CPH has advised Crown that it may seek to sell some or all of its Notes through the proposed buy-back.

Crown reserves the right to vary, suspend or terminate the buy-back at any time.

The Notes buy-back described above does not pertain to Crown's Subordinated Notes II listed on ASX under the code "CWNHB", which remain an important part of the company's capital structure.

### **PROPOSED CROWN REIT IPO WILL NOT PROCEED AT THIS TIME**

As a consequence of the completion of the MCE sell down transactions, Crown has determined not to proceed at this time with the proposed IPO of a 49% interest in some of its Australian hotels and associated retail property ("Crown REIT IPO").

An important driver of the Board's decision to explore a potential Crown REIT IPO was the proceeds the transaction would generate which could be used to fund a combination of capital management and debt reduction initiatives.

As detailed above, the proceeds generated by the MCE sell down transactions have provided Crown the opportunity to both materially reduce the Company's debt levels as well as undertake a range of capital management initiatives. As such, Crown has determined not to proceed at this time with the proposed Crown REIT IPO.

## **DIVIDEND**

As set out above, Crown has declared an interim dividend on ordinary shares of 30 cents per share plus a special dividend of 83 cents per share. The interim dividend and the special dividend are both franked to 60% and payable to shareholders registered at 5.00pm on 2 March 2017. The dividends are due to be paid on 17 March 2017. No part of the unfranked portion of the dividends will consist of conduit foreign income.

## **ENDS**

Financial Media Enquiries – Ken Barton, Chief Financial Officer, 03 9292 8824.

Investor and Analyst Enquiries – John Bresnan, Investor Relations, 03 9292 8851.

## **COPIES OF RELEASES**

Copies of previous media and ASX announcements issued by Crown are available at Crown's website at [www.crownresorts.com.au](http://www.crownresorts.com.au)



**CROWN GROUP RESULT**  
**Six Months ended 31 December 2016**

Normalised Results <sup>(1)</sup>				Actual Results <sup>(2)</sup>		
6 months ended Dec 2016	6 months ended Dec 2015	% movement		6 months ended Dec 2016	6 months ended Dec 2015	% movement
\$ M	\$ M			\$ M	\$ M	
<u>1,699.4</u>	<u>1,854.8</u>	(8.4)%	OPERATING REVENUE <sup>(3)</sup>	<u>1,767.9</u>	<u>1,871.8</u>	(5.6)%
402.6	424.4	(5.1)%	EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & SIGNIFICANT ITEMS	399.3	455.9	(12.4)%
<u>(144.3)</u>	<u>(140.0)</u>		Depreciation & Amortisation	<u>(144.3)</u>	<u>(140.0)</u>	
258.3	284.4	(9.2)%	EARNINGS BEFORE INTEREST, TAX & SIGNIFICANT ITEMS	255.0	315.9	(19.3)%
<u>(50.0)</u>	<u>(71.0)</u>		Net Interest Income / (Expense)	<u>(50.0)</u>	<u>(71.0)</u>	
208.3	213.4	(2.4)%	PROFIT BEFORE TAX & SIGNIFICANT ITEMS	205.0	244.9	(16.3)%
<u>(63.8)</u>	<u>(45.0)</u>		Taxation	<u>(64.5)</u>	<u>(54.0)</u>	
144.5	168.4	(14.2)%	PROFIT AFTER TAX & BEFORE SIGNIFICANT ITEMS	140.5	190.9	(26.4)%
<u>41.7</u>	<u>37.6</u>		Equity Accounted Profit / (Loss)	<u>37.2</u>	<u>9.8</u>	
186.2	206.0	(9.6)%	NET PROFIT AFTER TAX	177.7	200.7	(11.5)%
<u>5.1</u>	<u>4.3</u>		Non-controlling interest	<u>5.1</u>	<u>4.3</u>	
<u>191.3</u>	<u>210.3</u>	(9.1)%	NET PROFIT ATTRIBUTABLE TO PARENT BEFORE SIGNIFICANT ITEMS	182.8	205.0	(10.8)%
			Significant items net of tax <sup>(4)</sup>	<u>176.3</u>	<u>0.0</u>	
			NET PROFIT ATTRIBUTABLE TO PARENT	<u>359.1</u>	<u>205.0</u>	75.2%

(1) Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play and significant items. The difference between reported NPAT before significant items of \$182.8 million and normalised NPAT of \$191.3 million is due to a below theoretical result at Crown Aspinall's of \$13.1 million and an adjustment to the equity accounted share of NPAT from MCE of \$4.5 million to exclude the impact of the variance from theoretical win rate on VIP play, partially offset by an above theoretical result on VIP program play in Crown's Australian casinos of \$9.1 million.

(2) Actual results reflect revenues & expenses at actual win rates and include significant items.

(3) Operating revenue excludes interest revenue.

(4) Current year significant items consist of the net gain on sale of MCE shares and proceeds received following the disposal of Cannery, partially offset by early debt retirement costs and restructuring costs.